

Note X - Other Postemployment Benefits (OPEB)

[If the entity provides OPEB benefits through more than one plan, the entity should disclose the total of the employers OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense/expenditures for the period if not otherwise identifiable in the financial statements. These amounts should be disclosed in the aggregate for each element.]

Closed Teacher Group Insurance Plan

General information about the OPEB plan

Plan description - Employees of [entity], who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Teacher Group Retiree Plan (TGRP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired teachers, support staff and disability participants of local education agencies, who choose coverage, participate in the TGRP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

Benefits provided - The [entity] offers the TGRP to provide health insurance coverage to eligible pre-65 retired teachers, support staff and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-301 establishes and amends the benefit terms of the TGRP. All members have the option of choosing between the partnership promise preferred provider organization (PPO), no partnership promise PPO, standard PPO, limited PPO or the wellness healthsavings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the TGRP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums.**[Entities should insert language to explain their direct subsidy policy for pre-65 retiree insurance coverage or the fact that they do not directly subsidize and are only subject to the implicit].** The state, as a governmental nonemployer contributing entity, provides a direct subsidy for eligible retirees premiums, based on years of service. Therefore, retirees with 30 or more years of service will receive 45%; 20 but less than 30 years, 35%; and less than 20 years, 20% of the scheduled premium. No subsidy is provided for enrollees of the healthsavings CDHP. The TGRP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees covered by benefit terms - At July 1, 2017, the following employees of [entity name] was covered by the benefit terms of the TGRP:

Inactive employees currently receiving benefit payments

Inactive employees entitled to but not yet receiving benefit payments

Active employees

0

An insurance committee, created in accordance with TCA 8-27-301, establishes the required payments to the TGRP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates.

Total OPEB Liability

Actuarial assumptions - The collective total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	7.5% for 2018, decreasing annually to an ultimate rate of 3.83% for 2050 and later years.
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this Valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

Discount rate - The discount rate used to measure the total OPEB liability was 3.56 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal GO AA index.

Changes in Collective Total OPEB Liability

TGRP

	Total OPEB Liability (a)
Balances at June 30, 2016	\$ 432,472
Changes for the year:	
Service cost	19,051
Interest	30,663
Changes of benefit terms	
Differences between expected and actual experience	8,925
Change in assumptions	8,926
Benefit payments	(7,899)
Net changes	59,666
Balances at June 30, 2017	\$ 492,138
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 25
Employer's proportionate share of the collective total OPEB liability	\$ 25
Employer's proportion of the collective total OPEB liability	2500%

The [entity] has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TGRP. [entity]'s proportionate share of the collective total OPEB liability was based on a projection of the employers long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The proportion changed xx.xx% from the prior measurement date. [Entity] recognized \$xx.xx in revenue for subsidies provided by nonemployer contributing entities for benefits paid by the TGRP for [entity] retirees.

Changes in assumptions - The discount rate was changed from 2.92% as of the beginning of the measurement period to 3.56% as of June 30, 2017. This change in assumption decreased the total OPEB liability.

Sensitivity of proportionate share of the collective total OPEB liability to changes in the discount rate - The following presents the proportionate share of the collective total OPEB liability related to the TGRP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56%) or 1-percentage-point higher (4.56%) than the current discount rate.

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Proportionate share of collective total OPEB liability	\$ 75,000	\$ 50,000	\$ (22,000)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB expense - For the fiscal year ended June, 30, 2018, [entity] recognized OPEB expense of \$xxx.xx million.

Deferred outflows of resources and deferred inflows of resources - For the fiscal year ended June, 30, 2018, [entity] reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TGRP from the following sources:

TGIP

	Deferred Outflows of resources	Deferred Inflows of resources
Differences between actual and expected experience	\$ 22	\$ 22
Changes of assumptions	22	22
Changes in proportion and differences between amounts paid as benefits came due and proportionate share certain amounts paid by the employer and nonemployer contributors as the benefits came due.	22	22
Employer payments subsequent to the measurement date		
Total	<u>\$ 66</u>	<u>\$ 66</u>

The amounts shown above for "Employer payments subsequent to the measurement date" will be included as a reduction to total OPEB liability in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

TGRP

For the year ended June 30:

2019	\$ 55
2020	55
2021	55
2022	55
2023	55
Thereafter	55

In the table above, positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.

Required Supplementary Information

Schedule of Changes in [entity] Proportionate Share of Collective OPEB Liability and Related Ratios (dollar amount in thousands)

TGIP

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 2
Interest	
Changes of benefit terms	
Differences between expected and actual experience	
Changes of assumptions	
Benefit payments	
Net change in total OPEB liability	<u>\$ 2</u>
Total OPEB liability - beginning	
Total OPEB liability - ending (a)	<u><u>\$ 2</u></u>

Nonemployer contributing entities proportionate share of the collective total OPEB liability

Employer's proportionate share of the collective total OPEB liability

Covered-employee payroll	\$ 2
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Employer's proportionate share of collective total OPEB liability as a percentage of covered-employee payroll	0.00%
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Notes to Schedule

There are no assets accumulating, in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.